

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the)
Resource Adequacy Program, Consider)
Program Refinements, and Establish Annual)
Local Procurement Obligations.)
_____)

Rulemaking 11-10-023
(Filed October 20, 2011)

OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E)
ON THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE GAMSON ADOPTING LOCAL
PROCUREMENT OBLIGATIONS FOR 2014, A FLEXIBLE CAPACITY FRAMEWORK, AND FURTHER
REFINING THE RESOURCE ADEQUACY PROGRAM

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San Diego Gas and Electric (“SDG&E”) submits these Opening Comments on the May 28, 2013 Proposed Decision Adopting Local Procurement Obligations for 2014, a Flexible Capacity Framework, and Further Refining the Resource Adequacy Program (“PD”). Significantly, the PD adopts a Flexible Capacity procurement framework that outlines non-binding procurement targets for the 2014 compliance year, and binding procurement requirements for the 2015 compliance year. SDG&E believes the Flexible Capacity procurement framework outlined in the PD provides a necessary operational component to reliably achieve California’s established environmental goals, and strongly supports its adoption. SDG&E looks forward to working with Commission, the CAISO, and stakeholders to further evolve the proposed framework to address flexible capacity eligibility criteria from energy-storage technologies, demand response, and use-limited resources for the 2015 compliance cycle.

While SDG&E supports the proposed framework, it seeks clarification on the following 2014 implementation details:

- Whether load serving entities are required, for 2014 compliance purposes, to make monthly and annual showings of *all* flexible capacity in its portfolio, or only the flexible capacity necessary to satisfy the monthly and annual “targets” for 2014.
- Whether the month-ahead and year-ahead compliance obligation for 2014 will be “shaped” similar to current System Resource Adequacy compliance showings (i.e., 90% annual and 100% monthly).

I. The Reporting Requirement Should Only Extend to Resources Necessary to Satisfy a Load Serving Entity's Annual and Monthly Flexible Capacity Target

The PD states that the Commission “will require, starting with the 2014 RA compliance year, that each load serving entity shall make a year ahead and month-ahead show of flexible capacity for each month of the compliance year.”¹ To meet this requirement, the PD goes on to provide that “[e]ach LSE shall also report all its qualified flexible resources in the annual and monthly RA filings.”² Similarly, Appendix A to the Proposed Decision outlining modified filing requirements to comply with the newly established flexible capacity procurement targets for 2014 states that:

Each load serving entity shall make a year ahead and month-ahead showing of flexible capacity for each month of the compliance year. Each LSE shall report all its qualified flexible resources in the annual and monthly RA filings.³

Finally, Appendix A provides that:

No penalties shall be imposed in the 2014 RA compliance year in the event that an LSE did not meet its monthly flexibility target or committed an RA resource as flexible that did not subsequently submit an economic bid. However, LSEs are required to show all eligible flexible resources in their RA filings. The Energy Division reserves the right to refer a RA violation to CPSD if an LSE fails to comply with the requirement.⁴

It is unclear from the above passages whether the requirement on a load serving entity to report qualified flexible resources in its annual and monthly resource adequacy filings extends only to the resources necessary to satisfy the monthly or annual target, or whether the showing requirement extends to the load serving entity's entire Flexible Capacity portfolio. SDG&E interprets the passages to simply require a load serving entity to show resources necessary to meet the monthly and annual target. The alternate interpretation – that load serving entities are required to show flexible resources above and beyond those necessary to satisfy the established target – raises a host of additional implementation questions that neither the PD nor the Appendix appear to answer. For example, is the load serving entity's entire flexible portfolio subject to the economic bidding mandates outlined in the Appendix, or just a subset of the portfolio? If so, how is the subset determined? Are entities permitted to swap flexible resources from the larger set to the subset and vice versa to accommodate outages or maximum run time or start-up restrictions? If so, when and under what circumstances? Are Flexible Capacity resources above those

¹ *Proposed Decision of Administrative Law Judge Gamson* in R.11-10-023 at p. 56 (May 28, 2013).

² *Id*

³ Appendix A to the *Proposed Decision of Administrative Law Judge Gamson* in R.11-10-023 at p. 4 (May 28, 2013).

⁴ *Id* at p. 4-5.

necessary to meet the load serving entity's non-binding targets exposed to Standard Capacity Product or other outage based penalties? Until these issues are addressed, SDG&E recommends the Commission clarify that load serving entities are required to report qualified flexible resources in annual and monthly compliance filings only to the extent necessary to satisfy the annual and monthly flexible capacity target. To the extent the Commission desires information on all eligible flexible resources in a load serving entity's portfolio, SDG&E proposes that the Commission require load serving entities to provide a one-time submission listing these resources separately from the RA filing.⁵

II. SDG&E Recommends "Shaping" the Month-Ahead and Year-Ahead Compliance Obligation for 2014 to Require Load Serving Entities Demonstrate 90% Annual Procurement and 100% Monthly Procurement.

The Joint Parties' proposal that served as a "starting point"⁶ for the flexible capacity framework the PD adopts recommended the Commission require both year-ahead and month-ahead showings for flexible capacity similar to the requirement to show System Resource Adequacy capacity.⁷ That is, each load serving entity would be required to demonstrate it has procured 90 percent of each monthly flexible capacity procurement obligation in its year-ahead showing. Additionally, each load serving entity would be required to show 100 percent of its flexibility capacity procurement obligation has been procured in its monthly showing.

While the PD requires that load serving entities make annual and monthly showings of flexible resources, it makes no mention of whether the showing is phased or shaped in manner consistent with current System Resource Adequacy showings. To afford load serving entities maximum latitude in assembling their flexible capacity portfolios, SDG&E recommends the Commission clarify that the flexible capacity framework adopted in this proceeding envisions the same 90/100 showing requirement currently in place for System Resource Adequacy compliance.

⁵ In a manner consistent with the current process for reporting Local Capacity availability. See Decision 10-06-036, at pp.55-56 & OP 6(f).

⁶ *Proposed Decision of Administrative Law Judge Gamson in R.11-10-023*, Conclusion of Law at p. 67 (May 28, 2013).

⁷ See *Resource Adequacy and Flexible Capacity Procurement: Joint Parties' Proposal*, Rulemaking 11-10-023, October 29, 2012 ("*Joint Parties' Proposal*"); by California Independent System Operator ("California ISO" or "ISO"), Southern California Edison, and SDG&E. The *Joint Parties' Proposal* was filed and served upon the service list to this proceeding both by the Joint Parties and as an attachment to the *Phase 2 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge*, Rulemaking 11-10-023, December 6, 2012, Attachment A.

III. Proposed Revisions to the Rounding Convention

The PD adopts the Energy Division's proposal to reinstitute a rounding convention the Commission rejected only a year ago.⁸ As SDG&E noted in its April 5, 2013 Opening Comments on Phase 2 Issues, this rounding convention caused discrepancies between the California ISO's and the Commission's (Energy Division's) separate determinations regarding whether a load serving entity had met its resource-adequacy obligations.⁹ To reduce these potential discrepancies, Commission in 2012 adopted an alternate rounding convention that more closely aligned to the California ISO's rounding convention.¹⁰

The PD proposes to abandon the recently adopted fix, and return, unmodified, to the rounding convention the Commission rejected in 2012. SDG&E here reiterates its objection to adopting the previous rounding convention. Absent modification, the rounding convention will generate the same discrepancies between California ISO's and Commission's compliance determinations that led the Commission to adopt the 2012 alternative in the first place.

Respectfully submitted,

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⁸ *Proposed Decision of Administrative Law Judge Gamson* in R.11-10-023 at p. 60 (May 28, 2013).

⁹ Opening Comments of San Diego Gas and Electric on Phase 2 Resource Adequacy Issues in R.11-10-023 at p.12-13 (April 5, 2013).

¹⁰ Decision Adopting Local Procurement for 2013 and Further Refining the Resource Adequacy Program. D.12-06-025 at p. 30 (June 21, 2012).